McLaren Racing Limited

Directors' report and financial statements

Registered number 01517478

31 December 2012

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Contents

Officers and professional advisers

Directors	J Cooper T Murnane J Neale M A Ojjeh (French) M Whitmarsh
Secretary	T Murnane
Registered office	McLaren Technology Centre Chertsey Road Woking Surrey GU21 4YH
Auditors	KPMG LLP 1 Forest Gate Brighton Road Crawley West Sussex RH11 9PT

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

Registered number

The company's registered number is 01517478

Principal activity

The company's principal activity during the year was that of participating in Formula One ("F1") motor racing events throughout the world This includes the design, development, manufacture and racing of F1 cars

Business review and future prospects

The directors consider race performance, turnover, cost base, profit and cash flow to be the principal key performance indicators to assess progress towards their strategic goals

Vodafone McLaren Mercedes finished third in the 2012 FIA F1 Constructors Championship The team won races in Australia, Hungary, Italy, Belgium, USA and Brazil We were delighted to have raced, and won again in the USA and applaud the efforts of FOM, the Circuit of the Americas and the people of Austin Texas for hosting a spectacular inaugural event Ultimately it was consistency that prevented us from challenging more strongly for the Championship

Jenson Button has been joined in the team by Sergio Perez of Mexico Sergio is an exciting talent who we are delighted to have signed alongside the more experienced but equally competitive Jenson

Turnover reduced by £7m to £166m This is wholly due to the changing business relationship with former shareholder Daimler The remaining revenue streams have increased significantly and during the course of the year we signed a long-term engine supply partnership with Honda which will be active from the start of the 2015 racing season Looking forward the Honda arrangement will transform our business model Vodafone, with whom it has been a pleasure to work with since 2007, have announced that they will not be renewing as title sponsor of the team at the end of 2013 We are well into our search for a new title partner

Overall costs have increased by £24m mainly due to increased driver costs, racing at more events and the increased travel, as well as the associated costs of conducting windtunnel testing away from the company's headquarters

As we enter our 50th Anniversary year, the directors look forward to another successful year both on and off the track

Principal risks and uncertainties

The keys risks and uncertainties faced by the business are continuing to be competitive in F1, ability to gain and retain sponsorship, control of the cost base of developing F1 cars and staff recruitment and retention All of these are obviously linked In addition to these objectives the company will continue to comply with the Resource Restriction Agreement signed by all the teams competing in Formula One and extended by the teams until 2017

McLaren has remained competitive over many years, winning over 25% of the Grand Prix since we have been competing in F1 and we aim to continue winning races in the 2013 season The 2013 cars are an evolution of the 2012 cars as the rules remain largely unchanged with the exception of changes to the DRS usage during qualifying, tougher tests to ensure against overly flexible wings, and a small change to the weight of the cars

Although the company drives itself to achieve efficiencies in developing and manufacturing cars and components, costs remain a key challenge in today's tough economic conditions

Results

The loss on ordinary activities for the year after taxation amounted to £3,138,579 *(2011 profit £22,355,468)*

Dividends

No dividends were paid during the year *(2011 £20,000,000)*

Directors' Report *(continued)*

Directors

The directors who served during the year are as reported on page 1 The directors served throughout the year unless otherwise stated

Employment of disabled persons

The policy of the company is to give full and fair consideration to employment application by disabled persons and to ensure that disabled employees receive appropriate training and career development opportunities

Employment policies

The company is committed to ensuring that its people are actively engaged in the ongoing management and future direction of the business Regular formal and informal briefings are held with all sections of the workforce

The company takes reasonable steps to ensure that all employees, existing and prospective, are given fair and equal opportunity, regardless of sex, race, ethnicity, religion or disability

Donations

During the year the company made charitable donations of £4,000 *(2011 £191)* and no political donations *(2011 £nil)*

Disclosure of information

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

In accordance with Section 487 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

T N M

T Murnane
Secretary

18 September 2013

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Independent auditor's report to the members of McLaren Racing Limited

We have audited the financial statements of McLaren Racing Limited for the year ended 31 December 2012 set out on pages 6 to 18 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www frc org uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Tim Widdas

Tim Widdas (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

23/9/13

Profit and loss account

for the year ended 31 December 2012

	Note	2012 £000	2011 £000
Turnover	*1*	**165,765**	172,309
Cost of sales		**(123,423)**	(101,247)
Gross profit		**42,342**	71,062
Administrative expenses		**(50,634)**	(48,708)
Operating (loss)/profit		**(8,292)**	22,354
Interest receivable and similar income	*3*	**150**	541
Interest payable and similar charges	*4*	**(322)**	-
(Loss)/profit on ordinary activities before taxation	*5*	**(8,464)**	22,895
Tax on (loss)/profit on ordinary activities	*6*	**5,325**	(540)
(Loss)/profit for the financial year	*17*	**(3,139)**	22,355

In both the current year and preceding period, the company made no material acquisitions and had no discontinued operations

There is no material difference between the result reported in the profit and loss account and the result on an unmodified historical cost basis

Statement of total recognised gains and losses

for the year ended 31 December 2012

	2012 £000	2011 £000
(Loss)/profit for the year	**(3,139)**	22,355
Total recognised gains and losses relating to the year	**(3,139)**	22,355
Revaluation reserve adjustment	**-**	70,158
Total gains and losses recognised since last annual accounts	**(3,139)**	92,513

Balance sheet
as at 31 December 2012

	Note		2012		2011
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	7		**16,776**		18,090
Heritage assets	8		**76,000**		75,700
Investments	9		**1,336**		1,336
			94,112		95,126
Current assets					
Stocks	10	**24,122**		22,409	
Debtors	11	**92,268**		62,056	
Cash at bank and in hand		**240**		61	
		116,630		84,526	
Creditors. amounts falling due within one year	12	**(102,420)**		(68,140)	
Net current assets			**14,210**		16,386
Total assets less current liabilities			**108,322**		111,512
Creditors amounts falling due after more than one year	13		**(17)**		(68)
Net assets			**108,305**		111,444
Capital and reserves					
Called up share capital	16		**50**		50
Revaluation reserve	17		**70,158**		70,158
Profit and loss account	17		**38,097**		41,236
Equity	18		**108,305**		111,444

These financial statements were approved by the board of directors on 18 September 2013 and were signed on their behalf by

M Whitmarsh
Director

Notes

(Forming part of the financial statements)

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, and under the historical cost accounting rules The particular accounting policies adopted are described below, and have been applied consistently throughout the current and preceding period

Going Concern

The company's activities, together with the factors likely to affect its future development and position are set out in the Business Review section of the Directors' Report on page 2

McLaren Racing is expected to continue to generate positive cash flows on its own account for the foreseeable future The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries

The directors have made enquiries of the directors of the company's parent and following these enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of McLaren Group Limited to continue as a going concern or its ability to continue with the current banking arrangements

On the basis of their assessment of the company's financial position of the enquiries made of the directors of McLaren Group Limited, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Consolidated financial statements

The company is a wholly owned subsidiary of a company incorporated in Great Britain and therefore has taken advantage of the exemption under Section 400 Companies Act 2006 not to produce consolidated financial statements Accordingly, these financial statements present information about the company as an individual undertaking and not as a group

Joint arrangements

Where the company is party to a joint arrangement which is not an entity, its part of the income and expenditure, assets and liabilities have been included in these financial statements

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment Depreciation is provided over the estimated useful lives of the assets at the following rates

Leasehold premises and improvements	- written off over the life of the lease
Fixtures, fittings and office equipment	- 20% of reducing balance
Plant, machinery, tools and equipment	- 20% of reducing balance
Motor vehicles	- 25% of reducing balance

No depreciation is provided until the assets are brought into use

Heritage Assets

McLaren Racing has a collection of heritage vehicles, made up of 142 racing cars, 6 F1 road cars, 5 historic vehicles and 20 spare F1 racing car monocoques The holding value of these assets are held in the balance sheet at valuation The valuation has been performed by the Directors of the business on a one by one basis, including the value inherent in the provenance attached to particular assets (eg championship winning cars), looking at sales values achieved for similar vehicles where possible The assets are re-valued every five years and any gains or losses are recognised in the statement of total recognised gains and losses F1 racing cars retained at the end of each season are valued at £75,000 up until a revaluation takes place

Notes *(continued)*

1 Accounting policies *(continued)*

The valuation held in the balance sheet is a reflection of the one by one valuation process, but discounted by 50% to reflect potential fluctuations in the market and the fact vehicles would sell at lower values if more than one was sold at a time

The vehicles are maintained by the business on a regular basis with maintenance costs being charged to the profit and loss accounts when incurred The cars are deemed to have indeterminate lives and the Directors do not therefore consider it appropriate to charge depreciation

In addition, McLaren Racing has a collection of Racing memorabilia, including trophies and helmets, which the Directors have not sought to value and is therefore not recognised on the balance sheet

Fixed asset investments

Investments are unlisted and are stated at cost less any provision for any impairment

Stocks, work in progress and expenditure on racing cars

Stocks are valued at the lower of invoiced cost and net realisable value Racing cars have an expected life of one year and all expenditure on the production and maintenance of such cars is charged to the profit and loss account during the racing season in which the racing car is used The Board considers that research and development continues to play a vital role in the group's success The group carries forward to the following year, certain development costs incurred in the current year which relate to the production of next season's racing car

Turnover

Turnover represents sponsorship income and other motor racing related revenue receivables, excluding value added tax Turnover relating to sponsorship contracts is recognised over the term of that agreement

In certain cases, the company enters into agreements with suppliers whereby goods and services are received in exchange for various sponsorship and marketing activities In such cases, turnover is recorded at the fair value of the goods or services rendered

All turnover originates in the United Kingdom An analysis of turnover, operating profit and net assets by geographical destination has not been included as the directors believe that the group operates in a single global market and that the allocation to geographical destination segments would be seriously prejudicial to the company

Taxation

Current taxation, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate ruling on the date of the transaction, unless matching forward foreign exchange contracts have been entered into, in which case the rate specified in the relevant contract is used At the balance sheet date unhedged monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at that date All foreign currency differences are dealt with through the profit and loss account

Derivative instruments utilised by the company are forward exchange contracts The company does not enter into speculative derivative contracts All such instruments are used for hedging purposes to alter the risk profile of any existing underlying exposure of the company in line with the company's risk management policies

Notes *(continued)*

1 Accounting policies *(continued)*

Leases

Assets held under finance leases are initially reported at the fair value of the asset with equivalent liability categorised as appropriate under creditors due within or after one year The assets are depreciated over the shorter of the lease term and their useful economic lives Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of charge on the outstanding balance Rentals are apportioned between finance charges and reduction of the liability, and allocated to cost of sales and other operating expenses as appropriate Hire purchase transactions are dealt with similarly except that assets are depreciated over their useful economic lives

Rental costs under operating leases are charged on a straight-line basis over the lease term

Pensions

The company participates in a defined contribution pension scheme operated by McLaren Group Limited and also pays contributions to personal pension schemes of certain employees The amounts payable to these schemes during the period are charged to the profit and loss account

Cash flow statement

The company is a wholly owned subsidiary of McLaren Group Limited and is included in the consolidated financial statements of McLaren Group Limited, which are publicly available Consequently, the company has taken exemption from preparing a cash flow statement as permitted under FRS 1 (revised 1996)

2 Information regarding directors and employees

	2012	2011
	£000	£000
Directors' emoluments		
Emoluments (excluding pension contributions)	**473**	373
Highest paid director's emoluments	**716**	684
Aggregate of emoluments (excluding pension contributions)	**1,189**	1,057
Pension contributions	**18**	16
Highest paid director's contributions	**36**	32
	54	48
	Number	Number
Number of directors who are members of a defined contribution scheme	**2**	2

M Whitmarsh and T Murnane are also directors of other group companies and their remuneration for services to the group have been borne by another group company The share of the total emoluments of these directors allocated in respect of services to this company is £2,109,732 *(2011 £3,298,570)*

Notes *(continued)*

2 Information regarding directors and employees *(continued)*

	2012	2011
	£000	£000
Employees costs during the period (including directors)		
Wages and salaries	35,095	33,632
Social security costs	4,283	4,051
Other pension costs	1,121	1,027
	40,499	38,710

	Number	Number
Average number of persons employed		
Production	304	311
Engineering	200	199
Administration	93	86
	597	596

3 Interest receivable and similar income

	2012	2011
	£000	£000
On group company loans	150	246
Net exchange gains	-	295
	150	541

4 Interest payable and similar charges

	2012	2011
	£000	£000
Net exchange losses	322	-
	322	-

5 (Loss) / profit on ordinary activities before taxation

		2012	2011
		£000	£000
(Loss) / profit on ordinary activities before taxation is stated after charging			
Depreciation	- owned	3,702	4,077
Operating lease rentals	- other	6,454	6,440
Auditor's remuneration	- audit of these financial statements	21	18
	- other services relating to taxation	180	87
	- all other services	11	6
Loss on disposal of fixed assets		172	13

Notes *(continued)*

6 Tax on (loss) / profit on ordinary activities

	2012 £000	2011 £000
United Kingdom corporation tax at 24 5% *(2011 26 5%)*	**(1,147)**	64
Total current tax	**(1,147)**	64
Deferred taxation		
Origination and reversal of timing differences	**(4,992)**	86
Adjustments in respect of prior years	**814**	390
	(5,325)	540

Factors affecting tax charge for the current year

The current tax credit for the year is lower *(2011 tax charge is lower)* than the standard rate of corporation tax in the UK of 24 5% *(2011 26 5%)* The differences are explained below

	2012 £000	2011 £000
(Loss)/profit on ordinary activities before taxation	**(8,464)**	22,895
Tax at 24 5% thereon *(2011 26 5%)*	**(2,074)**	6,067
Effects of		
Expenses not deductible for tax purposes	**118**	140
Depreciation in excess of capital allowances	**67**	60
Utilisation of tax losses	**(37)**	-
Tax losses carried forward	**5,228**	(203)
Tax incentives	**(4,410)**	(6,063)
Provisions tax adjustment	**(39)**	63
Total actual amount of current tax	**(1,147)**	64

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively This will reduce the company's future current tax charge accordingly The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly

Notes *(continued)*

7 Tangible fixed assets

	Leasehold premises and improvements £000	Plant and machinery, tools and equipment £000	Motor vehicles £000	Fixtures, fittings and office equipment £000	Total £000
Cost					
At 1 January 2012	224	30,646	8,147	16,507	55,524
Additions	-	1,581	-	985	2,566
Disposals	-	(248)	-	-	(248)
At 31 December 2012	224	31,979	8,147	17,492	57,842
Accumulated depreciation					
At 1 January 2012	130	21,275	6,545	9,484	37,434
Charge for the year	47	1,871	422	1,362	3,702
Disposals	-	(70)	-	-	(70)
At 31 December 2012	177	23,076	6,967	10,846	41,066
Net book value					
At 31 December 2012	**47**	**8,903**	**1,180**	**6,646**	**16,776**
At 31 December 2011	94	9,371	1,602	7,023	18,090

8 Heritage assets

Cost or valuation	Historic cars £000
At 1 January 2012	75,700
Additions	300
At 31 December 2012	**76,000**

Five year financial summary of heritage asset transactions

Additions	**2012 £000**	2011 £000	2010 £000	2009 £000	2008 £000
Total additions	**300**	300	300	300	225

There are no disposals of historic cars during these periods

McLaren Racing has a collection of heritage vehicles, made up of 142 racing cars, 6 F1 road cars, 5 historic vehicles and 20 spare F1 racing car monocoques Approximately 22% of the collection is held at the McLaren Technology Centre, most of which is on display to visitors and employees, and a further 30% is on display at Donnington Park Race Circuit or McLaren Automotive Dealerships The remainder is held in secure storage These assets are held in the balance sheet at valuation and are re-valued every five years F1 racing cars retained at the end of each season are treated as additions in the year and are valued at £75,000 until a revaluation takes place The last valuation was carried out in December 2011

Notes *(continued)*

9 Investment held as fixed assets

	Shares in group companies £000
Cost	
At 31 December 2011 and 31 December 2012	3,153
Provisions	
At 31 December 2011 and 31 December 2012	(1,817)
Net book value	
At 31 December 2011 and 31 December 2012	**1,336**

The subsidiaries are

Name	**Activity**	**Holding (Ordinary Share Capital)**	**Net Assets at 31 Dec 2012**	**Profit for the year ended 31 Dec 2012**
Parhann Limited	Dormant	100%	1,354,079	-
Absolute Taste Limited	Catering services	55%	394,443	81,422

Consolidated financial statements have not been prepared as the company is a wholly owned subsidiary of a company registered in England and Wales Accordingly, these financial statements present information about the company as an individual undertaking and not as a group

10 Stocks

	2012 £000	2011 £000
Racing car development costs	**21,555**	19,872
Raw materials and consumables	**1,822**	2,049
Finished goods	**745**	488
	24,122	22,409

Notes *(continued)*

11 Debtors

	2012	2011
	£000	£000
Trade debtors	**41,600**	25,392
Amounts owed by group undertakings	**31,660**	20,455
Amounts owed by related parties (note 21)	**348**	332
Other debtors	**6,815**	6,940
Prepayments and accrued income	**1,006**	2,276
Deferred tax asset (note 14)	**10,839**	6,661
	92,268	62,056

12 Creditors: amounts falling due within one year

	2012	2011
	£000	£000
Obligations under finance leases	**51**	51
Trade creditors	**7,607**	3,177
Amounts owed to group companies	**4,384**	6,977
Amounts owed to related parties (note 21)	**1,600**	189
Taxation and social security	**6,517**	2,419
Other creditors	**1,312**	88
Accruals and deferred income	**80,949**	55,239
	102,420	68,140

13 Creditors: amounts falling due after more than one year

	2012	2011
	£000	£000
Obligations under finance leases	**17**	68
	17	68

Notes *(continued)*

14 Deferred tax asset

Reconciliation of movement in the deferred tax asset	**2012 £000**	2011 £000
At 1 January	**6,661**	7,137
Credited/(charged) to profit and loss account	**4,178**	(476)
At 31 December	**10,839**	6,661

The deferred tax asset consists of	**2012 £000**	2011 £000
Depreciation in excess of capital allowances	**(1,591)**	(1,970)
Short-term timing differences	**22**	22
Trading losses carried forward	**12,408**	8,609
	10,839	6,661

There are tax losses available to offset against future profits arising from the same trade of £75,470,658 *(2011 £76,932,641)* The total deferred tax asset that is not recognised in the financial statements in relation to losses carried forward and other timing differences is £10,412,500 *(2010 £9,653,332)* The deferred tax asset has not been recognised as there is insufficient evidence that the asset will be recovered The deferred tax asset will be realised when suitable taxable profits are generated by the company

No deferred tax has been recognised on the revaluation of heritage assets as there is no intention to dispose of these assets

15 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings	
	2012 £000	2011 £000
Leases which expire		
Within one year	**6,360**	-
Within two to five years	**100**	6,416

Notes *(continued)*

16 Called up share capital

	2012	2011
	£000	£000
Authorised, allotted, called up and fully paid		
50,150 ordinary shares of £1 each	**50**	50

17 Reserves

	Revaluation reserve £000	Profit and loss account £000
At 1 January 2012	70,158	41,236
Loss for the year	-	(3,139)
At 31 December 2012	**70,158**	**38,097**

18 Reconciliation of movement in shareholders' funds

	2012	2011
	£000	£000
(Loss)/profit for the year	**(3,139)**	22,355
Dividends	-	(20,000)
Net change in shareholders' funds	**(3,139)**	2,355
Opening shareholders' funds	**111,444**	109,089
Closing shareholders' funds	**108,305**	111,444

Notes *(continued)*

19 Contingent liability

McLaren Racing Limited is party to an unlimited cross company guarantee securing all monies due, or to become due, in respect of the overdraft and loan facility provided to McLaren Group Limited by its bankers As at 31 December 2012 the balances guaranteed were £65,000,000 *(2011 £80,000,000)*

McLaren Racing Limited has given guarantees in favour of third parties As at 31 December 2012, the balances guaranteed were CHF 100,000 *(2011 CHF 100,000)* in favour of Tribunal De Premiere Instance, £90,000 *(2011 £45,000)* in favour of HM Revenue & Customs, and EUR 16,872 63 *(2011 EUR 16,872 63)* in favour of Dresdner Bank AG

20 Ultimate parent company

In the opinion of the directors, the company's controlling entity is McLaren Group Limited, a company registered in England and Wales This is also the parent undertaking of the largest and only group which includes the company and for which group financial statements are prepared

Copies of the group financial statements of McLaren Group Limited are available from Companies House, Crown Way, Cardiff CF14 3UZ

Ownership of McLaren Group Limited at 31 December 2012 was as follows 50% Bahrain Mumtalakat Holding Company (incorporated in Bahrain), 25% Mr R Dennis and 25% TAG Group Limited (incorporated in Jersey)

21 Related party transactions

Transactions with related companies during the period were as follows

	Year ended 31 December 2012	Year ended 31 December 2011	**Balance Outstanding at 31 December 2012**	Balance outstanding at 31 December 2011
	£000	£000	**£000**	£000
Related party sales				
Daimler AG and related companies	**-**	38,486	**-**	-
Greyscape Limited	**-**	3	**-**	-
Absolute Taste Limited	**9**	220	**69**	143
McLaren Automotive Limited	**814**	1,539	**279**	189
Related party purchases				
Daimler AG and related companies	**-**	5,753	**-**	-
McLaren Automotive Limited	**1,515**	456	**1,500**	-
Absolute Taste Limited	**2,164**	2,199	**100**	189

All related party transactions have been made under normal commercial terms and conditions

Pursuant to the exemptions granted by FRS 8 'Related Party Disclosures', transactions with other undertakings within the McLaren Group have not been disclosed within these financial statements